



Wealth Markets and Commerce

Finance - Economics

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Friday, May 25, 1917.

United States Steel common again monopolized the spotlight on the Stock Exchange, this time in the biggest day's trading witnessed since February 1, when Germany unexpectedly threw things out of gear by announcing her campaign of ruthless submarine warfare. Transactions aggregated 1,581,000 shares, to which Steel contributed 419,700 shares while rising to a new high record of 134. The movement in steel is impressive, because of its bulk, but many other industrial issues are responding to the better sentiment which prevails in stock market circles. As a rule, however, they have not kept up with the pace set by Steel common. This great industrial stock has been more than a leader this time; it has overshadowed all other stocks in trading interest.

Outside buying, which usually develops on a rising market, was further encouraged by the news from Washington that several features of the war revenue bill to which objection had been made by numerous business interests would be removed and the total amount raised by taxation substantially reduced. The less drastic terms of the proposed income tax programme, particularly the reported decision to abandon the retroactive feature, is generally construed as a favorable factor so far as the stock market is concerned.

This week's movement in Steel common has been unusually interesting. While no new records have been made as regards activity, there has nevertheless been a sustained volume of trading that has not been seen many times before. Steel has risen from a low of 123 3/4 on Monday to a high of 134 on dealings in excess of 1,700,000 shares. In the preceding week it sold as low as 115 1/2. The following table of transactions and the price range in Steel common for the first five days of this week indicate the interesting character of the movement:

| Shares | Day | High | Low | Close |
|---------|-----------|---------|---------|---------|
| 287,500 | Monday | 125 3/4 | 123 3/4 | 125 3/4 |
| 210,300 | Tuesday | 127 3/4 | 124 3/4 | 127 3/4 |
| 404,200 | Wednesday | 129 3/4 | 126 3/4 | 129 3/4 |
| 389,800 | Thursday | 131 3/4 | 128 3/4 | 131 3/4 |
| 419,700 | Friday | 134 | 132 3/4 | 133 3/4 |

A glance at this table will show how the further Steel has advanced the more active have been the dealings. This strongly indicates increased "outside" participation.

At \$95.94, the current average price of eight leading steel products stands at the highest level ever reached. There is nothing surprising about this, since a new peak has been established every week for a considerable period. What is significant about the statistics is that recently the advance has been at a much more rapid rate than at any time in the past. Compared with pre-war prices, the average of these products at the present level shows an increase of more than 200 per cent. And still there is nothing to indicate that the limit has been reached. This extraordinary distortion of prices naturally has brought about an unusual state of affairs in the steel market, so that neither buyers nor sellers have a clear grasp of the situation and outlook, and consequently prices have been made in a haphazard manner for some time past. "The Iron Age" presents an interesting discussion of the developments and possibilities in the steel market in its current issue. It says, in part:

At various times the mills have manifested a disposition to withdraw from the market, to be met by higher bids on the part of buyers, who admittedly have been moved more by their fears than by their judgment. When war became probable the buyers knew that the government would require large tonnages of steel, which could be obtained only by delaying deliveries to other customers. The majority of the buyers, jobbers and manufacturers consumers did not know that the demand upon them for their wares would increase, or even that it would be maintained. Fluctuations in the ordinary domestic demand for steel may easily represent a larger tonnage, however, than the quantity of steel required by the government.

It is well recognized that steel is not being bought by large investors in the proportion that usually obtains when the steel demand in general is heavy. The steel bought by the rank and file, for what might be called common everyday consumption, has correspondingly increased. Three years ago no one would have dreamed that the demand for steel could reach its present proportions without there being a very large amount of investing in permanent structures, calculated to yield interest returns over a period of years. Thus, from one angle, it might be judged that the situation in steel demand is one of pay as you go, with no outward possibility, like the

frightening off of investors, to threaten the future.

At the same time the common everyday buyers of steel must have their economic limit. They have not made the present market, as steel at present mill prices is not yet reaching them. At the beginning of last October the Steel Corporation was sold up on an average to approximately the present date. Other mills were in substantially the same position. To the period of mill delivery must be added the period that elapses from the mill shipment to receipt of the finished product by the ultimate consumer. Thus the advance in steel prices that has occurred since October 1 is perhaps not the full measure of the advance the ultimate consumer must pay over prices he is paying now. Of course, there are exceptions, but in terms of the total finished steel output, which is now about 3,000,000 net tons a month, the advance is equal to \$100,000,000 on a month's output, as the steel advance since the beginning of last October is in the neighborhood of \$33 a net ton. If there are to be further advances the strain upon the economic resources of the people would be proportionately increased. If the middle interests, standing between the steel mill and the ultimate consumer, put up their prices in proportion, as they necessarily must, the bill to be paid by the ultimate consumer will increase in still greater measure. Eventually he would be unable to stand the strain. The only question is when the limit would be reached. At various times in the past it has seemed that the steel market had probably reached its limit, that the mills would not be able to do much more than empty their order books before a price readjustment would be forced. Thus far these various expectations have successively been disappointed. Finally the time will come for such a prognostication to prove correct.

There was a net shortage of 145,449 freight cars in the United States on May 1, according to a statement just issued by the American Railway Association. The special committee on national defence of the same association issued a statement a few days ago showing that there are about 2,408,000 freight cars in use in this country, and that on the average 57 per cent of their capacity is not utilized.

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Money and Credit

A firmer tendency was again apparent in the call money market yesterday and loans were mostly negotiated at 1/4 per cent, whereas the ruling rate the day before was 3 per cent. In the time money market rates were somewhat firmer, on a slight increase in demand. The bulk of the dealings was in loans based on industrial securities as collateral, which ruled at 3/4 to 5 per cent for all maturities.

Ruling rates on money yesterday, compared with a year ago, were as follows:

| Call money | Yesterday | Year ago |
|--------------------------------|----------------|----------|
| Time money (mixed collateral): | | |
| 60 days | 4 1/4 to 4 1/2 | 3 |
| 90 days | 4 1/4 to 4 1/2 | 3 1/2 |
| 120 days | 4 1/4 to 4 1/2 | 3 3/4 |
| 180 days | 4 1/4 to 4 1/2 | 3 1/2 |

Commercial Paper.—This market was quiet yesterday, but with the rate holding at 5 per cent for the best regular maturities.

Official rates of discount of each of the twelve Federal districts are as follows:

| | | | | |
|--------------------|----|----|----|----|
| New York..... | 3 | 4 | 4 | 4 |
| Philadelphia..... | 3½ | 4 | 4 | 4 |
| Cleveland..... | 3½ | 4 | 4½ | 4½ |
| Richmond..... | 4 | 4 | 4 | 4 |
| Atlanta..... | 4 | 4 | 4 | 4 |
| Chicago..... | 3½ | 4 | 4 | 4½ |
| St. Louis..... | 3½ | 4 | 4 | 4 |
| Minneapolis..... | 4 | 4 | 4 | 4½ |
| Kansas City..... | 4 | 4½ | 4½ | 4½ |
| Dallas..... | 3½ | 4 | 4 | 4½ |
| San Francisco..... | 3½ | 4 | 4½ | 4½ |